

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Brandon Township Public Library	County Oakland
Audit Date December 31, 2003	Opinion Date April 14, 2004	Date Accountant Report Submitted To State: June 9, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Brandon Township Public Library Oakland County, Michigan

**Financial Report
December 31, 2003**

Brandon Township Public Library

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Independent Auditor's Report

To the Brandon Township Public Library Board
Brandon Township
Oakland County, Michigan

We have audited the accompanying general purpose financial statements of Brandon Township Public Library as of December 31, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Brandon Township Public Library as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 14, 2004



A worldwide association of independent accounting firms

Brandon Township Public Library

Balance Sheet Governmental Fund Type and Account Groups December 31, 2003

	General Fund	General Fixed Assets Account Group	General Long-term Debt Account Group
Assets			
Cash and cash equivalents (Note 2)	\$ 323,335	\$ -	\$ -
Taxes receivable (Note 1)	760,191	-	-
Fixed assets (Note 3)	-	4,630,514	-
Amount to be provided for retirement of general long-term debt	-	-	23,494
Total assets	<u><u>\$ 1,083,526</u></u>	<u><u>\$ 4,630,514</u></u>	<u><u>\$ 23,494</u></u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 18,089	\$ -	\$ -
Accrued liabilities	15,556	-	-
Deferred revenue (Note 1)	813,467	-	-
Long-term debt (Note 4)	-	-	23,494
Total liabilities	847,112	-	23,494
Fund Equity			
Investment in general fixed assets (Note 3)	-	4,630,514	-
Fund balance - Unreserved:			
Designated for future library strategic planning	20,000	-	-
Undesignated	216,414	-	-
Total fund equity	236,414	4,630,514	-
Total liabilities and fund equity	<u><u>\$ 1,083,526</u></u>	<u><u>\$ 4,630,514</u></u>	<u><u>\$ 23,494</u></u>

Brandon Township Public Library

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Governmental Fund Type - General Fund Year Ended December 31, 2003

	Prior Year (Memorandum Only)	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property tax	\$ 733,160	\$ 780,689	\$ 778,691	\$ (1,998)
Penal fines	27,654	27,654	29,694	2,040
Groveland Township contract	22,624	25,785	23,820	(1,965)
State aid	15,636	15,699	12,488	(3,211)
Single business tax	-	400	405	5
Library fines and fees	9,781	10,900	10,486	(414)
Interest on investments	15,764	21,425	7,364	(14,061)
Other	24,773	29,440	59,073	29,633
Total revenue	849,392	911,992	922,021	10,029
Expenditures				
Salaries and wages	446,236	475,266	470,029	5,237
Fringe benefits	101,853	113,200	105,327	7,873
Supplies	13,642	13,900	12,997	903
Professional and contractual services	16,500	10,700	13,898	(3,198)
Communications	23,544	24,165	25,397	(1,232)
Insurance	22,610	20,259	25,953	(5,694)
Utilities	38,217	36,800	30,124	6,676
Building repair and maintenance	41,771	56,333	47,574	8,759
Library materials	143,868	127,218	135,289	(8,071)
Dues, programming, and education	15,100	14,000	14,148	(148)
Bank and payroll service fees	3,088	2,750	3,823	(1,073)
Automated system	28,989	37,760	42,205	(4,445)
Board expenses	1,669	500	167	333
Capital outlay and other	35,380	28,604	77,145	(48,541)
Total expenditures	932,467	961,455	1,004,076	(42,621)
Excess of Expenditures Over Revenue	(83,075)	(49,463)	(82,055)	(32,592)
Fund Balance - Beginning of year	401,544	318,469	318,469	-
Fund Balance - End of year	<u>\$ 318,469</u>	<u>\$ 269,006</u>	<u>\$ 236,414</u>	<u>\$ (32,592)</u>

Brandon Township Public Library

Notes to Financial Statements December 31, 2003

Note I - Nature of Organization and Summary of Significant Accounting Policies

Brandon Township Public Library (the "Library") is located in the Charter Township of Brandon, Oakland County, Michigan. The Library is primarily funded through a tax levy, penal fines, Groveland Township contract funds, and state aid.

The accounting policies of Brandon Township Public Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by an elected six-member board.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Fund Accounting

The accounts of Brandon Township Public Library are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity.

General Fund - The General Fund contains the records of the financial activities of Brandon Township Public Library. General Fund activities are financed by property taxes and other revenue.

Fixed Assets and Long-term Liabilities - Fixed assets used in General Fund operations are accounted for in the General Fixed Assets Account Group, rather than in the General Fund. Such assets are recorded as expenditures in the General Fund at the time of purchase. No depreciation has been provided on general fixed assets. Books, recordings, and microfiche included on the shelves are recorded at \$1 per item. Other fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from the General Fund are recorded in the General Long-term Debt Account Group, not in the General Fund.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Brandon Township Public Library

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The General Fund follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Fines, contributions, and certain miscellaneous revenue are recorded when received.

Properties are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, taxes billed during December are included in deferred revenue.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- d. The noncurrent portion of employee-compensated absences is reflected in the General Long-term Debt Account Group.

Budget Information - The annual budget is prepared by the Library management and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget includes one significant budget overrun resulting from unbudgeted expenditures associated with various capital outlay expenditures incurred during 2003.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - governmental fund type - General Fund) is presented on the same basis of accounting used in preparing the adopted budget and has been prepared in accordance with accounting principles generally accepted in the United States of America.

Brandon Township Public Library

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

The budget has been adopted for the Library activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the Library is included in the general purpose financial statements by reviewing the fund totals. The amounts shown on this statement are in greater detail than the budget as adopted and are used to provide additional analysis for management purposes.

Note 2 - Deposits and Investments

Deposits

At December 31, 2003, the Library's cash and cash equivalents consisted of the following:

Deposits	\$ 265,375
Investments - Bank investment pools	<u>57,960</u>
Total cash and cash equivalents	<u>\$ 323,335</u>

Cash deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$280,923. Of this amount, \$200,000 was covered by federal depository insurance and the remainder is uninsured.

Investments

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Library's investments at December 31, 2003 consisted of bank investment pools. There was \$57,960 invested in such funds at December 31, 2003. Investments under the bank investment pools are regulated by the Michigan Banking Act. Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, the bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book-entry form. The Library believes that the investment in these funds complies with the investment authority noted above.

Brandon Township Public Library

Notes to Financial Statements December 31, 2003

Note 3 - General Fixed Assets

A summary of general fixed assets at December 31, 2003 is as follows:

	Balance at January 1, 2003	Net Additions	Balance at December 31, 2003
Buildings and improvements	\$3,716,480	\$ 174	\$ 3,716,654
Furniture and equipment	787,647	50,819	838,466
Books (recorded at \$1 per item)*	51,940	1,600	53,540
Recordings and microfiche (recorded at \$1 per item)	21,422	432	21,854
Total	<u>\$4,577,489</u>	<u>\$ 53,025</u>	<u>\$ 4,630,514</u>

* The replacement value of books, periodicals, recordings, and microfiche, based on average cost, was approximately \$1,236,000 at December 31, 2003.

Note 4 - Long-term Debt

Long-term debt of the Library consists of the following:

	Prior Year Balance	Current Year Changes	Current Year Balance
Personal property taxes contingent liability	\$ 11,500	\$ -	\$ 11,500
Employee-compensated absences	8,996	2,998	11,994
Total	<u>\$ 20,496</u>	<u>\$ 2,998</u>	<u>\$ 23,494</u>

Personal property taxes represent the estimated liability to be paid to the utility companies that are currently contesting their assessment.

Accumulated employee benefits represent the estimated liability to be paid to Library employees under the Library's vacation pay policy, net of the portion that is estimated will be paid currently. Under the Library's policy, employees earn vacation time based on time of service with the Library.

Brandon Township Public Library

Notes to Financial Statements December 31, 2003

Note 5 - Defined Contribution Retirement Plan

The Library provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Library contributes 12 percent of employees' gross earnings and there are no employee contributions. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately. In accordance with these requirements, the Library contributed approximately \$27,500 during the current year.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Related Parties

The Library building was funded through a bond issued by Brandon Township. The bond is supported by a millage that is being paid by the residents of Brandon Township.

Note 8 - Upcoming Report Change

For the year beginning January 1, 2004, the Library plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on a full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

April 14, 2004

Library Board Members
Brandon Township Public Library
304 South Street
Ortonville, MI 48462

Dear Board Members:

We recently completed the audit of the financial statements of the Brandon Township Public Library for the year ended December 31, 2003. In addition to the audit report, we offer the following comments for your consideration:

INTERNAL CONTROL CONDITIONS

Accruals

We noted during testing that a few of the calculations for accrued vacation time were incorrectly calculated. In some cases, we were not able to see where the hours were noted on the time cards. Although the calculations were not off by a substantial amount, due to the importance and sensitivity of this area, a high degree of care should be exercised. We recommend reviewing time cards monthly to ensure hours are accurately tracked and any differences are promptly identified and resolved. It has been our experience that the earlier an item is identified, the easier it is to correct. By making corrections on a current basis, situations where staff may mistakenly take time they are not entitled to can be avoided.

Journal Entries

A system of checks and balances is important in all accounting systems. The Library's controls over journal entries would be improved if a "description" field were included in the manual journal entries written. Currently, they only include the account name and number. By adding the description, it will allow reviewers to understand the transaction and its purpose.

Miscellaneous Items

The Library approved wage listing was not updated for 2003. We recommend that the approved wage listing be updated with the most current information in order to account for new employees and new rates.

GASB 34 - NEW REPORTING MODEL

As we have discussed with you over the last several years, the Governmental Accounting Standards Board issued a new pronouncement that will change the presentation of governmental financial statements. The expected benefits of the new model include improved comparability of financial statements between communities, and a better matching of the current year's revenue sources to the full cost of services provided during that year. Some of the changes in the model include the following:

GASB 34 - NEW REPORTING MODEL (CONTINUED)

- A "Management's Discussion and Analysis" section
- Full accrual financial statements (balance sheet and operating statement)
- Capital assets and their related depreciation will be reported

The Library has begun to take steps towards the implementation of GASB 34, which is required to be implemented for the Library's fiscal year beginning January 1, 2004. In conjunction with this implementation, we would suggest that the Library implement a formal fixed asset capitalization policy to minimize the amount of record keeping involved. We encourage the Library to continue its efforts toward gathering the necessary data and implementing the appropriate systems in order to fully comply with GASB 34.

We would like to thank you and your staff again this year for their cooperation and assistance they provided during the audit. If you have any questions, or would like to discuss these items further, please feel free to contact us at your convenience.

Yours truly,

PLANTE & MORAN, PLLC



Leslie J. Pulver